ITT Denies Suit Settlement Led to Sell-off

By James L. Rowe Jr.
Washington Post Staff Writer

A spokesman for International Telephone and Telegraph Corp. denied yesterday that a selloff of about $1.5 million in ITT stock by the corporation's seven directors and officers was connected with prior knowledge of a major antitrust settlement.

The value of ITT stock fell $7 on the first day of trading after the July 31 announcement of the settlement, which required the huge conglomerate to divest itself of a number of subsidiaries.

It was reported last August that five ITT executives sold stock in the six weeks before the settlement was announced publicly. Two more selloffs by so-called "insiders" have since come to light.

At that time, ITT denied that any of the executives were aware "of the intermittent, inconclusive" discussions with the Justice Department which went on for nearly two years but which "culminated in a settlement only in the last hours of July."

Hearings on the ITT settlement before the Senate Judiciary Committee the last few weeks revealed, however, that the Justice Department contacted ITT director Felix Rohatyn on June 17 to spell out the terms of the settlement, which allowed ITT to keep the Hartford Fire Insurance Co. but required it to divest itself of some other firms whose acquisition had been challenged by the Justice Department.

Rohatyn's testimony indicated that one of the executives might have known about the proposed settlement before selling some of his stock.

Rohatyn said that within 24 to 48 hours after a 10 a.m. June 17 phone conversation in which Justice Department officials outlined the settlement, he spoke to ITT general counsel Howard Aibel.

Securities and Exchange Commission records indicate that Aibel placed an order to sell 2,664 shares of common stock on June 17 and it was sold June 18. Contrary to Rohatyn's testimony, however, Aibel said in a telephone interview yesterday that he did not learn of the settlement until June 21.

Aibel said he had exercised an option to buy 3,000 shares of ITT stock in November, 1970, borrowing money from a bank to do it. He said a financial advisory service told him that it would be wise to liquidate some of his ITT holdings (a total of 17,00 shares) because it was the only stock in his portfolio.

He said he had to wait until May under law to sell off his option, received permission on June 11 from ITT's compensation committee to sell and placed the order June 17.

SEC records of so-called insider filings indicate that seven ITT executives sold some of their ITT holdings between June 18 and July 31. Besides Aibel, they are:

- Richard Bateson, an ITT vice president, who sold 200 shares on June 21.
- Director Harry V. Williams, who sold 8,500 shares of preferred stock in three separate transactions on July 6, 7, and 8. The preferred stock could have been converted into more than 10,000 shares of ITT common stock.
- Martin Perry, a director and executive vice president, who sold 1,500 shares on July on July 15.
- Secretary John J. Navin, who sold 1,500 shares on Jcly 16.
- Vice President Frank J. McCabe, who sold 1,900 shares on July 16, then another 1,100 shares on July 19.
- Herbert C. Knortz, a senior vice president, who sold 5,000 shares on July 19.

An ITT spokesman, Robert Kiernan, said all the sales by company insiders were coincidental.

SEC rules prohibit insiders —directors, executives and shareholders owning more than 10 per cent of a company's outstanding stock—from buying or selling stock in a company on knowledge which is not known to the general public.

Reliable sources report that the SEC is investigating the sales by the seven ITT executives for possible violations of its insider rules. Officially, the commission will neither confirm nor deny that an investigation is under way.

In addition to the stock sales by ITT executives, a subsidiary of the Hartford Fire Insurance Co., the only acquisition the settlement did not require ITT to divest, sold 26,666 shares of ITT stock the week before the settlement was announced.

By Bob Burchette—The Washington Post

ITT Washington office head William Merriam ordered his staff to shred documents, the committee was told.